

SAPC 26170
COPY 1 OF 1

WESTINGHOUSE
ELECTRIC CORPORATION



FRIENDSHIP
INTERNATIONAL AIRPORT
BALTIMORE 27, MD.

4 April 1958

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SUBJECT: Contract #FL-3011
Redetermination Proposal Comments

Dear Dan:

As you requested in your letter, Serial
#24872, dated 4 March, we advise that a written
reply to [redacted] comments will be available
the latter part of next week.

Sales Engineer

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SAPC- 24872
Copy 2 of 5

4 March 1958

Westinghouse Electric Corporation
Friendship International Airport
Baltimore, Maryland

Attention:

Subject: Contract No. FL-3011
Price Redetermination for Items Nos.
7, 10, 11, 12, 13, 14, 15 & 16

Gentlemen:

As you know, an examination was made of your books by our auditor regarding your price redetermination proposal for Item 16 submitted in your letter of December 3, 1957 and the balance of the subject items as submitted in your letter of 27 August 1957.

The results of the examination for Items 7, and 10 through 15 are summarized as follows:

	Costs incurred to <u>28 Feb 1957</u>	Estimated - \$ to <u>Complete</u>	<u>Total</u>
Amount of proposal	\$1,596,940	\$ 559,924	\$2,156,864
Costs questioned	<u>132,831</u>	<u>122,054</u>	<u>254,885</u>
Costs accepted	\$1,464,109	\$ 437,870	\$1,901,979

*big claim 1, 8
11.7*

A summary of the examined costs, by contract item is presented in Exhibit A. The questioned costs are detailed in Schedules 1 through 6. The costs shown as accepted are subject to further discussions with you by the undersigned regarding the following comments submitted by the auditor:

"a. Contractor initially planned to produce 13 systems for the customer under Item No. 10, and 2 more for its own use. Accordingly, tooling and engineering costs were to be prorated so that the company would absorb 2/15th. The customer reduced its requirement to 11 systems and the company cancelled its requirement. The entire cost of tooling and engineering has been charged to this contract in the proposal. Contractor's representatives consider this treatment to be proper. Since initial tooling and engineering costs are not segregated from tooling and engineering maintenance costs, the auditor was unable to ascertain what additional costs have been charged to the contract.

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b. The cost of certain materials and parts made surplus by the cancellations referred to above and on Item 12 of the contract have been credited in the proposal, although the adjustments have not been recorded, and included in proposal on Item 16, on Appendix I. However, a complete inventory has not been taken, and it is known that additional credits will be involved. Conversely, some parts for which credit was made were actually used in completing the 11 systems. It is recommended that proper adjustments be finalized and recorded prior to negotiation of a firm price for the contract.

c. The auditor was unable to determine whether materials charged to the contract represent actual requirements, since no bill of material was available. However, purchase orders for substantial amounts which were examined bore evidence of identification to the contract items. Three of the purchase orders examined which exceeded \$25,000 bore no evidence of approval by the Contracting Officer as required by the contract. These are identified as follows:

P.O. 86 CC 9611-S-CU	8 October 1956	\$130,187	} approved 25 Apr 57 XX-26692
P.O. 86 CR 96846	6 June 1956	\$ 37,125	
P.O. 86 CR 97084	12 June 1956	\$ 38,560	

d. The amount included in the proposal for royalty, \$13,808, was represented as 1% of the equivalent net selling price of a typical unit under Items 7, 10, 11, and 12 which might be produced under a production contract."

The results of the examination for Item 16 are summarized in Exhibit A. It is understood that your Purchase Order 86 C-61-1446, dated 28 February 1957 in the amount of \$29,400 does not have approval of the Contracting Officer. Please submit details on this Purchase Order in order that the Contracting Officer may consider granting the necessary approval. The auditor's comments above apply, in part, to Item 16 also.

Revisions Nos. 2, 3, 4, 5 & 6 to Spares Bill LJC-4760, Sub F, Exhibit D and G, will be covered by an Amendment to Contract FL-3011 in the very near future.

Our findings regarding your termination claim submitted by your letter of 14 February 1958 and price redetermination proposal for Appendix II will be the subject of a separate letter.

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We would appreciate your written reply setting forth the costs questioned which meet with your approval and a detailed explanation of your reasons why other costs should be considered allowable. We have found that this written method results in a considerable saving of time at the time personal negotiations are required.

Very truly yours,

[Redacted Signature]

Contracting Officer

PS/DCI:HL:pf

Distribution:

- Orig - [Redacted] Westinghouse
- 2 - [Redacted] "
- ✓ 3 - EQUINE FL-3011 (Prop.Sec. w/SAPC-24304 & related corres)
- 4 - Proj. Finance w/cy 2 of SAPC-24304 & 24389
- 5 - Proj. Chrono

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